



***POLICY FOR PERFORMANCE EVALUATION***

***MOTHERSON SUMI WIRING INDIA LIMITED***

*Adopted by the Board of Directors on January 28, 2022*

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## **POLICY FOR PERFORMANCE EVALUATION**

### **1. Introduction**

- 1.1. The shareholders and investors repose confidence in the board of directors as their representatives for conducting and monitoring the affairs of the company. The board is entrusted with the responsibility to act in the best interests of the company. However, the directors are endowed with certain powers which are exercisable independent of the sanction of the shareholders and thus are accountable to the shareholders for creating, protecting and enhancing wealth, ensuring optimum utilisation of resources of the company, and reporting to them on the performance of the company in a timely and transparent manner. The board is ultimately responsible for ensuring compliance of various applicable laws in the best interests of the company and its stakeholders.
- 1.2. Keeping in view the roles, responsibilities, obligations entrusted on the board of directors, the interests of stakeholders to know whether the directors individually and collectively are functioning effectively and in order to respond to the dynamic changing business environment, the evaluation of performance of the board, individual directors and the committees of board has emerged as one of the priorities of corporate governance given the collective nature of the board and its committees as the decision making authority. The evaluation examines their roles and the entailing responsibilities and assesses how effectively these are fulfilled in order to focus towards enhancing overall governance standard.
- 1.3. The periodic performance evaluation will help to improve the performance of directors individually and collectively as the board or committees of board towards corporate goals and objectives, assessing the balance of skills, knowledge and experience, identifying the areas of concern and areas to be focused for improvement, identifying and creating awareness about the role of directors, individually and collectively as board and committee of board, building team work among board members and committee members, effective coordination between board and management, improve effectiveness of the board and its committees and overall growth of the organisation.
- 1.4. The Nomination and Remuneration Committee of the company covered under Section 178 of the Companies Act, 2013 read with applicable rules framed thereunder and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule II thereunder ("**Listing Regulations**"), as amended from time to time, is required to formulate criteria for evaluation of performance of the board, its committees and individual directors of the company and specify the manner of effective evaluation of such performance to be carried out either by the board or Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

## 2. Purpose

2.1. In terms of the requirement of the Companies Act, 2013 read with rules framed thereunder and the Listing Regulations, as amended from time to time, the board of directors on recommendation of the Nomination and Remuneration Committee Of Motherson Sumi Wiring India Limited ("**Company**") has formulated this Policy to:

- (a) Lay down the criteria for evaluation of performance of the board, its committees and individual directors and chairperson of the Company.
- (b) Specify the manner of effective evaluation of performance of board, its committees and individual directors and chairperson of the Company.
- (c) Review the implementation of performance evaluation process and its compliance.

## 3. Criteria for Performance Evaluation:

3.1. The criteria for performance evaluation under different categories depends on the role the person / group plays in the Company. The criteria for every performance evaluation may be decided at every level depending on the functions, responsibilities, competencies required and nature of business. Different criteria may be assigned with different weights depending on the Company's requirements, circumstances, outcome of previous assessments and stage of board's maturity.

3.2. The criteria for evaluation of performance of different persons / group are:

### 3.2.1. Board as a Whole –

(a) Structure of the Board:

This includes proper mix of competencies and qualifications of directors, their enough experience to conduct the affairs effectively, sufficient diversity in the board with respect to competencies, experience and qualifications of directors and the clear and transparent process of appointment of board of directors.

(b) Meetings of the Board:

This includes the meetings being held regularly at such frequency that is required for the board to undertake its duties properly, logistics of meetings being handled properly, agenda of the meeting containing adequate quality information required for taking an informed decision and been circulated well before time, discussion in the meeting being held on every issue comprehensively and depending on the importance of the issue thus adding value to the decision making, active participation at the meetings, functioning of the Board as a team, recording and circulation of the minutes properly, clearly,

completely and accurately, timely, frequent, accurate and regular dissemination of information pertaining to the meetings.

(c) Functions of the Board:

This includes defining of clear roles and responsibilities of the board, significant time being devoted to management of current and potential strategic issues, review and guides corporate strategy, major action plans, annual budget, business plans, setting performance objectives, monitor implementation and corporate performance, overseeing major capital expenditure, acquisition and divestments, adequate time being devoted on analysing and examining of governance and compliance issues, undertaking an assessment and review of high risk issues, regularity in review of grievance redressal mechanism of investors, adequately monitoring and managing potential conflict of interest of management, member of the board and shareholders, evaluate and monitor the performance of the management, board of directors, committee of board and board as whole and providing constructive feedback thereon, functioning in the best interest of the stakeholders, establishing corporate culture and values by which executives throughout the group shall behave.

(d) Board and Management:

This includes using proper measures to evaluate and monitor the performance of the management and providing constructive feedback, ensure adequate independence of the management from the board, active access of the management to the board and board access to the management, available adequate secretarial and logistic support available for conducting board meetings.

(e) Professional Development:

This includes ensure adequate induction and professional development programmes are made available to the directors, training to continuing directors in order to keep them updated.

### 3.2.2. Committees of the Board-

- (a) Mandate and Composition: this includes clearly defining the mandate or terms of reference, composition and working procedures of the committees of the board of directors.
- (b) Effectiveness of Committees: this includes the functions as assigned to the committees by the board or laws as may be applicable are being fulfilled.
- (c) Structure of the Committee and Meetings: this includes proper structure of the committee shall be in place and regular meetings are being held. In terms of discussions, agendas etc. of the meetings similar criteria shall be considered as specified for the board as a whole.

- (d) Independence of the Committee from the Board: adequate independence of the committee from the board shall be ensured.
- (e) Contribution to the Decision of the Board: effectiveness of committees recommendations contributing to the decisions of the b.

### 3.2.3. Individual Directors and Chairperson-

- (a) Criteria common to all the directors and chairperson shall include qualifications, prior experience especially relevant to the Company, sufficient knowledge and different competencies required for effective functioning of the Company and the board, understanding and fulfilment of the functions assigned by the board and the law, ability to function as a team, active initiative with respect to various areas, availability for the meetings of the board and attending the meetings regularly, timely and without delay, adequate commitment towards the board and the Company, effective contribution to the Company and in the board meetings, integrity including conflict of interest disclosures and maintenance of confidentiality.
- (b) Additional criteria for Independent Directors: Independence from the Company and the other directors and no conflict of interest, exercises their own judgement and voices opinion freely and bringing an objective view in the evaluation of the performance of board and the management.
- (c) Additional criteria for Chairperson: Efficient leadership, open-mindedness, decisive, courteous, displays professionalism, able to coordinate the discussion and is overall able to steer the meeting effectively, be impartial in conducting discussions, seeking views, dealing with dissent and conducting the board evaluation process, be sufficiently committed to the board and its meetings, be able to keep shareholders' interest in mind during discussions and decisions.

## 4. **Manner of Performance Evaluation**

4.1. The board as a whole and the independent directors shall adhere to their responsibilities mentioned below to evaluate the performance of the board, individual directors, committees of board in accordance with the criteria for performance evaluation laid down under this Policy, so as to ensure objective and developmental process of performance evaluation.

### 4.1.1. Responsibility of the Board-

- (a) It shall be the duty of the chairperson of the board, who shall be supported by the company secretary to organise the evaluation process and accordingly conclude the steps required to be taken.

- (b) The board of directors shall undertake the following activities on an annual basis:
  - (i) The board as a whole shall discuss and analyze its own performance during the year together with suggestions for improvement thereon, pursuant to the performance objectives.
  - (ii) Review performance evaluation reports of various committees along with their suggestions on improving the effectiveness of the committee. Also, the requirement of establishing any new committees shall be reviewed by the board on an annual basis.
  - (iii) Review the various strategies of the Company and accordingly set the performance objectives for directors. Ensure that adequate disclosure is made with regard to the performance evaluation in the board's report.

#### 4.1.2. Responsibility of Independent Directors-

- (a) Independent directors are duty bound to evaluate the performance of non-independent directors, chairperson of the Company and board as a whole. The independent directors of the Company shall hold at least 1 (one) meeting in a year to review the performance of non-independent directors, performance of the chairperson of the Company and board as a whole, taking into account the views of the executive directors and non-executive directors. The independent directors at their separate meetings shall:
  - (i) Review the performance of non-independent directors and the board as a whole;
  - (ii) Review the performance of the chairperson of the Company, taking into account the views of the executive directors and non-executive directors;
  - (iii) Assess the quality, quantity and timeliness of flow of information between the company management and the board that is necessary for the board to effectively and reasonably perform their duties.
- (b) Evaluation of independent director shall be carried out by the entire board of directors of the Company except the director getting evaluated.

#### 4.1.3. Role of Chairperson of the Company-

- (a) The chairperson of the Company conducts interview of or independent discussion with all the board members and committee members on one on one basis in order to obtain viewpoints from the board members and the committee members on the functioning of the board, committee and director's performance. This will provide the opportunity for in-depth discussions. This manner of evaluation culminates in deliberation and discussion about how the individual directors, the board and its committees can improve their functioning which is a key to productive evaluation.

- (b) The evaluation of performance required under this Policy may be conducted by an external agency as and when decided by the board of directors on recommendation of the Nomination and Remuneration Committee of the Company.

## **5. Post evaluation feedback and review**

- 5.1. Evaluations become merely superficial if they are not acted upon, if the strengths revealed are not leveraged and if the weaknesses identified are not rectified and thus for the success of the performance evaluation providing feedback is crucial. The chairperson of the Company shall give honest and unbiased feedback to the board as a whole, committees of board and each director and provision for confidentiality may be made as and where required and possible.
- 5.2. The report on performance evaluation including the feedback of the chairperson shall be placed before the meeting of the board of directors held immediately after such performance evaluation process, for the purpose of board's discussion on the findings as a high-priority agenda. The discussion on the findings shall be done openly with each director so that they can freely contribute their views so as to use such findings constructively to further enhance the effectiveness of individual directors, board and the committees of board.
- 5.3. The board of directors shall review the implementation of performance evaluation process which may involve deciding whether the objectives and criteria for evaluation are adequate or needs to be changes or updated, whether the process or method of evaluation is appropriate for individual directors, board and committee of board, prepare an action plan to address the improvement areas and review whether the action plan is being followed up on a timely basis and whether the effectiveness has been enhanced.

## **6. Frequency**

- 6.1. The Company shall undertake performance evaluation at least once in every financial year in order to provide fine system of checks and balances on the performance of the individual directors, board as a whole and the committees of board.

## **7. Disclosure**

- 7.1. A statement indicating the manner in which formal annual evaluation has been made by the board of its own performance and that of its committees and individual directors shall be included in the report of board of directors.
- 7.2. The performance evaluation criteria for independent directors shall be disclosed in the section on the corporate governance of the annual report.

## 8. Amendments to the Policy

The Policy may be reviewed and amended by the Nomination and Remuneration Committee, as and when required, only with the approval of the board of the Company.

## 9. Limitation

In the event of any conflict between the Companies Act, 2013 or Listing Regulations or other statutory enactments and the provisions of the Policy, the Companies Act, 2013 or Listing Regulations or other statutory enactments shall prevail over the Policy. Any subsequent amendment / modification in the Companies Act, 2013 or Listing Regulations or other statutory enactments, in this regard, shall automatically apply to the Policy.

*For any clarification / doubt concerning this Policy please feel free to contact Group General Counsel's Office by sending an Email at [gco\\_policyquery@motherson.com](mailto:gco_policyquery@motherson.com). Any such email should contain "Motherson Group Policy for Performance Evaluation" in the subject line.*